

Message Text

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ACTION MMO-02

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TAGS: AODE, EFIN, CA, ABLD, AFSP
SUBJECT: MODE - TREASURY PROPOSAL CONCERNING FINANCIAL
REPORTING UNIT

REF: STATE 134833

1. RESOURCE REQUIREMENTS. EMBASSY HAS CAREFULLY REVIEWED NEED FOR AN ADDITIONAL FINANCIAL REPORTING OFFICER AND CONTINUES TO BELIEVE THAT ECONOMIC AND FINANCIAL CONDITIONS IN CANADA WARRANT GREATER ANALYSIS AND REPORTING IN DEPTH THAN IS POSSIBLE WITH EXISTING PERSONNEL RESOURCES. CANADA HAS LARGEST CURRENT ACCOUNT DEFICIT IN RELATION TO GNP OF ANY MAJOR INDUSTRIALIZED COUNTRY. CANADIAN DOLLAR REMAINS UNSTABLE IN LIGHT OF ONGOING DOMESTIC ECONOMIC AND POLITICAL UNCERTAINTY. U.S. STAKE IN CANADIAN ECONOMIC HEALTH AND FINANCIAL STABILITY, THROUGH TRADE, DIRECT AND PORTFOLIO INVESTMENT (NOTABLY U.S. HOLDINGS OF CANADIAN DEBT) REMAINS LARGEST OF ANY COUNTRY IN WORLD. EMBASSY BELIEVES THOROUGH-GOING UNDERSTANDING AND INTERPRETATION OF CANADIAN ECONOMIC AND FINANCIAL DEVELOPMENTS IS OF GREAT IMPORTANCE TO THE US FOR THE FORESEEABLE FUTURE.

2. RESOURCE UTILIZATION. IN RESPONDING TO MODE REVIEWS, GORM/ZBB AND OTHER EXERCISES SEEKING TO PROMOTE MORE
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EFFECTIVE UTILIZATION OF RESOURCES, EMBASSY HAS RECOMMENDED CURTAILMENT OF CERTAIN UNPRODUCTIVE TRADE PROMOTION PROGRAMS IN CANADA WHICH WOULD PERMIT REDUCTION OF TWO FSO AND TWO FSL POSITIONS. WHILE FINANCIAL REPORTING AND COMMERCIAL PROGRAM RESOURCE CHANGES ARE NOT LINKED, WE CONCLUDE THAT AUGMENTING OUR FINANCIAL ANALYSIS CAPABILITY WHILE REDUCING LOW PRODUCTIVITY TRADE PROMOTION

ACTIVITIES IS CONSISTENT WITH BOTH BETTER RESOURCE UTILIZATION AND AGREED U.S. POLICY OBJECTIVES IN CANADA.

3. ANALYSIS AND REPORTING OBJECTIVES. ADDITIONAL FINANCIAL REPORTING OFFICER WILL PERMIT MISSION TO DEVELOP ADEQUATE RETROSPECTIVE, PROSPECTIVE, AND PRESCRIPTIVE ANALYSIS OF FINANCIAL AND ECONOMIC POLICIES AND CONDITIONS IN CANADA AFFECTING U.S. INTERESTS. THESE INCLUDE SUBJECT AREAS NOT RPT NOT NOW DEALT WITH COMPREHENSIVELY BY EMBASSY SUCH AS MONEY, BOND, AND OTHER FINANCIAL MARKET CONDITIONS RELATED TO SHORT AND LONG TERM CAPITAL FLOWS AND EXCHANGE RATE TRENDS; CENTRAL BANK POLICY OBJECTIVES AND OPERATIONS; AND OPERATION OF THE DOMESTIC BANKING SYSTEM. ALL THREE OFFICERS IN PROPOSED FINANCIAL ATTACHE OFFICE WOULD BE INVOLVED IN THIS WORK. ADDITIONALLY, MORE ATTENTION COULD BE GIVEN TO SECONDARY PRIORITIES, SUCH AS CANADA'S FOREIGN ASSISTANCE POLICIES, ON WHICH USEFUL ANALYSIS AND REPORTING HAS HAD TO BE DEFERRED.

4. DUTIES OF JUNIOR POSITION. JUNIOR FINANCIAL REPORTING OFFICER WOULD BE SUBSTANTIVELY NEW POSITION WITH RESPONSIBILITIES INCLUDING: ANALYSIS OF TARGETS AND INSTRUMENTS OF MONETARY POLICY, STERILIZATION OPERATIONS ARISING FROM INTERVENTION, BORROWING REQUIREMENTS OF FEDERAL AND JUNIOR GOVERNMENTS AND THEIR AGENCIES, FACTORS AFFECTING CREDIT-WORTHINESS OF CANADIAN GOVERNMENT BORROWERS, INTEREST RATE LIMITED OFFICIAL USE

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DIFFERENTIALS AFFECTING DOMESTIC AND FOREIGN BORROWING, PRIVATE SECTOR CREDIT DEMAND, AND OPERATION OF THE DOMESTIC BANKING SYSTEM.

5. ADMINISTRATIVE SUPPORT. THE ADDITION OF TWO POSITIONS TO THE EMBASSY WILL NOT PRESENT ANY ADMINISTRATIVE SUPPORT BURDEN. GIVEN LIMITED SPACE IN CHANCERY, INCREASE IN ECONOMIC SECTION COMPLEMENT WILL RESULT IN SEVERAL INTERNAL MOVES INCLUDING THE RELOCATION OF B&F SECTION INTO COMMERCIAL SPACE. CURRENT SCHEME ENVISAGES RELOCATING AGATT AND GSO WITHIN CHANCERY; THE RETURN OF THE SCIENCE COUNSELOR AND HIS SECRETARY TO THE CHANCERY FROM ONE OF THE EMBASSY ANNEXES, AND THE MOVE OF B&F TO COMMERCIAL SPACE. COST OF ABOVE IS AS FOLLOWS: A) MOVING EXPENSE FOR GSO AND B&F MOVES - CDOLS 400; B) PARTITIONING, ELECTRICAL, A/C WORK AND CARPETING FOR RELOCATING AGATT - APPROXIMATELY CDOLS 4000 TO 6000 DEPENDING ON FINAL CONFIGURATION OF SPACE; C) RENTAL FOR B&F SPACE - CDOLS 870 PER MONTH. COST OF CLEANING CONTRACT - CDOLS 600 PER ANNUM. SAVING REALIZED FROM MOVING SCI OFFICE TO CHANCERY WILL BE CDOLS 250 PER MONTH.

6.ORGANIZATIONAL ARRANGEMENTS. THE OFFICE OF THE FINANCIAL ATTACHE, WHEN IT REPLACES THE PRESENT FINANCIAL ANALYSIS UNIT, WILL FUNCTION WITHIN THE EMBASSY'S ECONOMIC SECTION UNDER SUPERVISION OF ECONOMIC COUNSELOR. WE THEREFORE RECOMMEND REVISION OF FIRST SENTENCE OF PARA 4 OF PROPOSED JOB DESCRIPTION (REFTEL) AS FOLLOWS: "UNDER SUPERVISION OF ECONOMIC COUNSELOR, HE SERVES AS ADVISOR TO THE AMBASSADOR ON FINANCIAL AND ECONOMIC CONSEQUENCES..."

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7. EVALUATION. THE EMBASSY WILL ASSESS VALIDITY OF CONTINUING REQUIREMENT FOR THREE-OFFICER FINANCIAL ATTACHE OFFICE IN LIGHT OF STATE OF CANADIAN ECONOMY AND ITS INTERNATIONAL SIGNIFICANCE WITHIN EIGHTEEN MONTHS OF ESTABLISHMENT AND STAFFING OF OFFICE. EMBASSY WILL REPORT ITS ASSESSMENT AT THAT TIME TO DEPARTMENTS OF STATE AND TREASURY. SIMILARLY, EMBASSY WILL EVALUATE AND REPORT ON EFFECTIVENESS OF ARRANGEMENTS PERMITTING STAFFING OF THESE FINANCIAL REPORTING POSITIONS BY OFFICERS FROM BOTH TREASURY AND THE FOREIGN SERVICE ON A BEST AVAILABLE CANDIDATE BASIS.
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